

AR79



Canadian
General Electric

Annual Report 1979

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®and™ indicate respectively registered and unregistered trademarks of Canadian General Electric Company Limited



The Cover

For almost 40 years the Company's major trade mark symbol consisted of the initials CGE, in script form, contained in a roundel with four inner scrolls. (See illustration left). In the early thirties, the Company began to use General Electric's monogram trade mark. It continued in general use for about 40 years, when the Company's corporate symbol trade mark (See illustration displayed on the right) and the corporate signature mark, as displayed on the front cover, were brought into use. The

design of the corporate symbol trade mark combines General Electric's monogram trade mark with the familiar CGE initials. These marks appear on many well-known products and in some unexpected places. Wherever they appear, the Company's objective is to continue to make them symbols of excellence through high quality and good performance.

Meeting Notice

The Annual General Meeting of Shareholders of Canadian General Electric Company Limited will be held in "Commerce Hall", Commerce Court West, (King & Bay Streets), Toronto, Canada, on the 17th day of April, 1980, commencing at 10 o'clock in the forenoon.

Pour un exemplaire de ce rapport en français, s.v.p. écrire au Secrétaire.

Highlights of Operations Canadian General Electric Company Limited and Consolidated Affiliates

	1979	1978
Financial		
Sales of products and services (millions)	\$1 338.7	\$1 103.7
Net earnings (millions)	38.3	33.6
Measurements		
Net earnings per share (dollars)	4.69	4.11
Dividends declared per common share (dollars)	1.75	1.60
Net earnings as a percentage of average shareholders' equity	10.8%	10.2%
Earnings as a percentage of sales	3.0%	3.2%
Statistical		
Average number of employees	19 767	18 662
Number of common shareholders at year-end	1 208	1 261

Distribution of 1979 Sales dollar

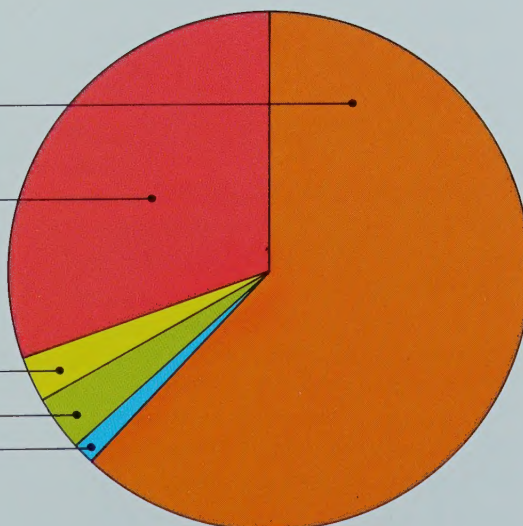
To suppliers 62.2%

To employees 30.5%

Taxes 2.6%

Reinvestment 3.6%

Dividends 1.1%



Report to shareholders



Alton S. Cartwright

On behalf of the Board of Directors, I am pleased to present the Annual Report together with the audited Consolidated Financial Statements for 1979.

In an unusual year of conflicting tendencies of marginal real growth on the one hand and a good deal of strength in key manufacturing and resource sectors on the other, the Company's consolidated sales of products and services have increased by 21% to \$1.34 billion, representing 11% growth in real terms.

Net earnings for the year were \$38.3 million or \$4.69 per share compared with \$33.6 million or \$4.11 last year, an increase of 14%.

Dividends paid in 1979 were \$1.75 per share. Last year the dividend payment was \$1.60 per share.

Export sales, both direct and indirect, increased by 45% to \$137.6 million in 1979. The growth in export shipments resulted from a continuing drive over the last few years to increase exports.

In each of the product segments, total revenues and net income, as detailed later in the report, increased significantly over the previous year.

In electrical apparatus and components total revenues were 26% above 1978 and net income was 20% higher.

Consumer products and services showed an increase in total revenues and net income of 10% and 53% respectively.

Machinery, technical systems and materials had total revenues 35% above the previous year and net income increased by 44%.

The increases in total revenues were due to improved conditions in primary manufacturing and resource industries, increased activity in commercial and industrial construction, and operating programs to increase market penetration.

New orders obtained increased by 33% from the previous year to \$1.4 billion, representing growth in real terms of 22%. The increase was mainly due to improved activity in manufacturing and resource industries. The backlog of unfilled orders at year-end totalled \$1.1 billion, up 4% from the previous year-end.

Capital expenditures in 1979 amounted to \$46.9 million compared to \$28.8 million, an increase of 63% over 1978, representing 122% of earnings in 1979 and 86% in 1978. Expenditures on new plant and equipment to improve capacity and productivity constituted the largest part of this investment.

The Company continued its investment program in Canadian resource development, investing a further \$5.8 million in the Company's joint venture with Ladd Exploration Company to explore and develop oil and gas deposits in Western Canada.

The first revenues from this program are expected in 1981.

The Company's financial position continues to be maintained on a sound basis. Net working capital has increased from \$222.1 million at December 31, 1978 to \$248.2 million at the end of 1979, with current ratios of 1.72:1.00 and 1.57:1.00 respectively. The debt to equity ratio stands at 10.4% at December 31, 1979 compared to 8.3% at the end of the previous year. These ratios are reflected in the Company's ability to borrow at highly competitive interest rates.

Employment in the consolidated group was 20 659 persons at December 31, 1979, an increase of 8.9%. At year end, negotiations were in progress with unions representing many of the Company's employees. At the time of writing, the Company has concluded a three-year agreement with one major union and negotiations continue with others.

Management continued to search for ways to develop human resources and improve the quality of working life. Programs were initiated in several locations in 1979 to give managers a better understanding of the procedures and benefits of greater involvement of all employees in planning and decision-making. Plants engaged in initiatives to increase employee involvement reported improvements in employee attitudes, productivity and absenteeism.

Research and development expenditures were \$16.3 million for 1979, making an aggregate expenditure over the past ten years of

\$93.6 million. During those years the Company has been stepping up efforts, especially for those products in which CGE has unique strengths and world market opportunities. Research and development work has always needed highly skilled people, as well as investment in equipment and buildings. With the passage of time the Company has brought together, and provided the challenges for, a considerable group of scientists and engineers, who work on the leading edge of technology and change. Their technological excellence contributes to the international recognition of this Company as a world-wide leader in more than two dozen product lines. In 1979, one of their number Peter de H. Eastcott, received special recognition for his outstanding contributions, having been chosen as a recipient of the Charles P. Steinmetz Award from General Electric Company. As part of the program to strengthen its commitment to research and development, the Company appointed an outstanding scientist, Dr. Peter E. Pashler, as Vice-President — Corporate Technology.

Energy conservation continues as a major concern of the operating management, both in the utilization of energy for operations and in the development of new products which generate and consume power. For example, static compensators, developed and manufactured by the Company to improve the efficiency of electrical transmission systems, will be used on the system transmitting electricity produced at the Baie James complex of Hydro Québec. At the other end of the scale, in terms of physical size, new energy-saving lamps contribute to the improved utilization of electrical energy.

Early in 1979, as a part of the Company's continuing strategy to rationalize its operations in the electrical industry, some of the assets of the wiring devices operation were transferred to Smith and Stone Limited, a wiring devices manufacturer at Georgetown, Ontario, in exchange for a 34% equity interest in that Company.

As a part of the rationalization program in Housewares, the Company acquired all of the outstanding shares of N.C. Joseph Limited, a U.K. manufacturer of housewares and industrial components. Another element in this rationalization strategy completed in 1979 was the assumption of international product scope for frypans, thus adding another product line in which the Company has world-wide responsibility within the GE system.

Currently, CGE international market responsibilities cover a wide spectrum of products from apparatus and heavy machinery to lamp products including hydroelectric generators and turbines, large air-blast breakers, industrial rectifiers, paper-making machinery, metal rolling mills, ore grinding mills, friction mine hoists, automotive engine heaters, domestic heating equipment, television transmitters, traffic control equipment, frypans, kettles, electric lawn mowers, humidifiers and specific types of lamps.

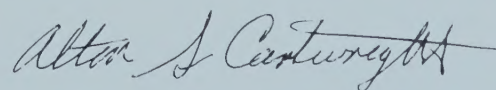
With the advent of the decade of the eighties, the outlook for the electrical industry is bullish. Supply of adequate amounts of energy provided by electricity will increase over the decade, providing opportunities for the businesses in this Company to supply power generation and transmission equipment, and efficient consumer and industrial products using electricity.

The year 1980 may be characterized by little or no growth in consumer expenditures on durables and housing. This should be offset by expenditures for development of primary energy sources, electrical power utility construction and selective industrial growth.

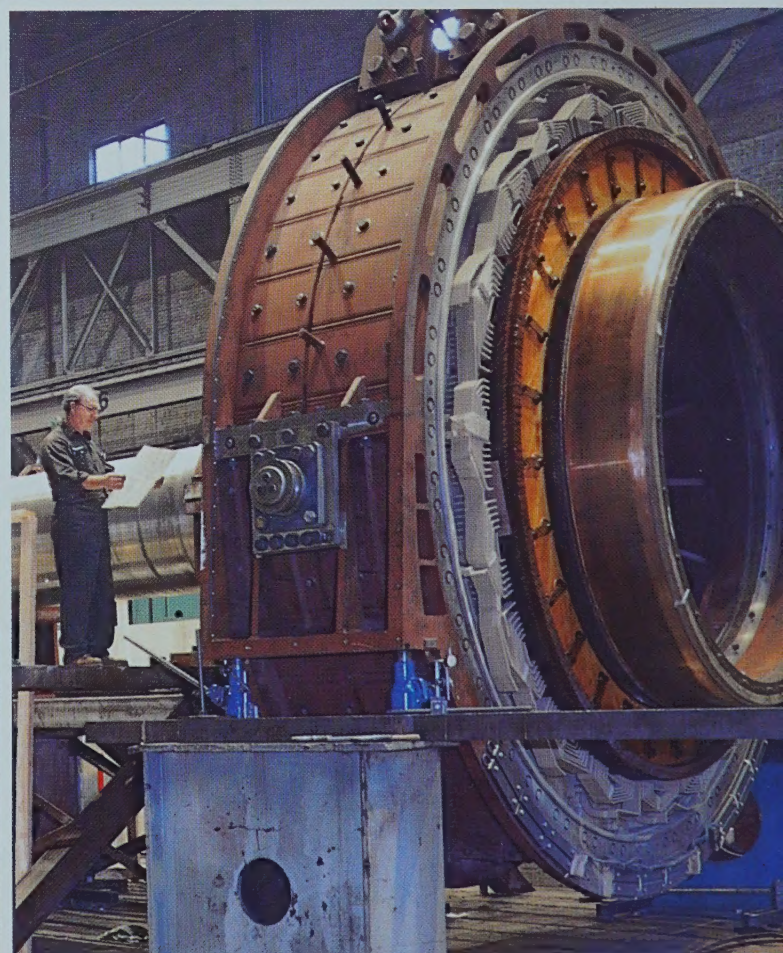
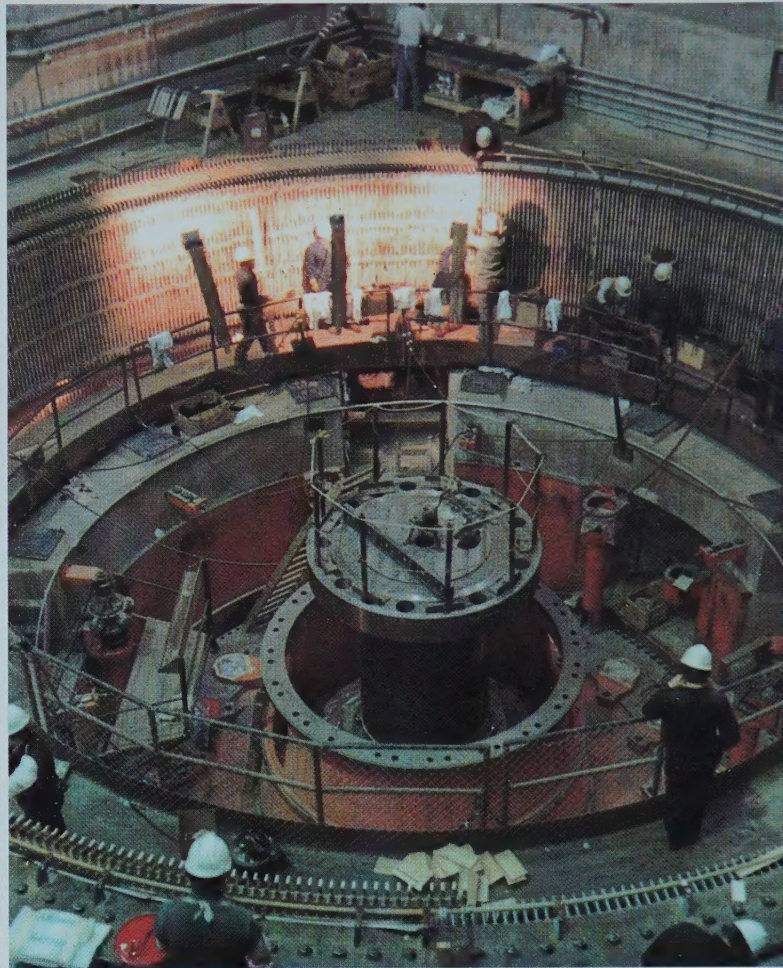
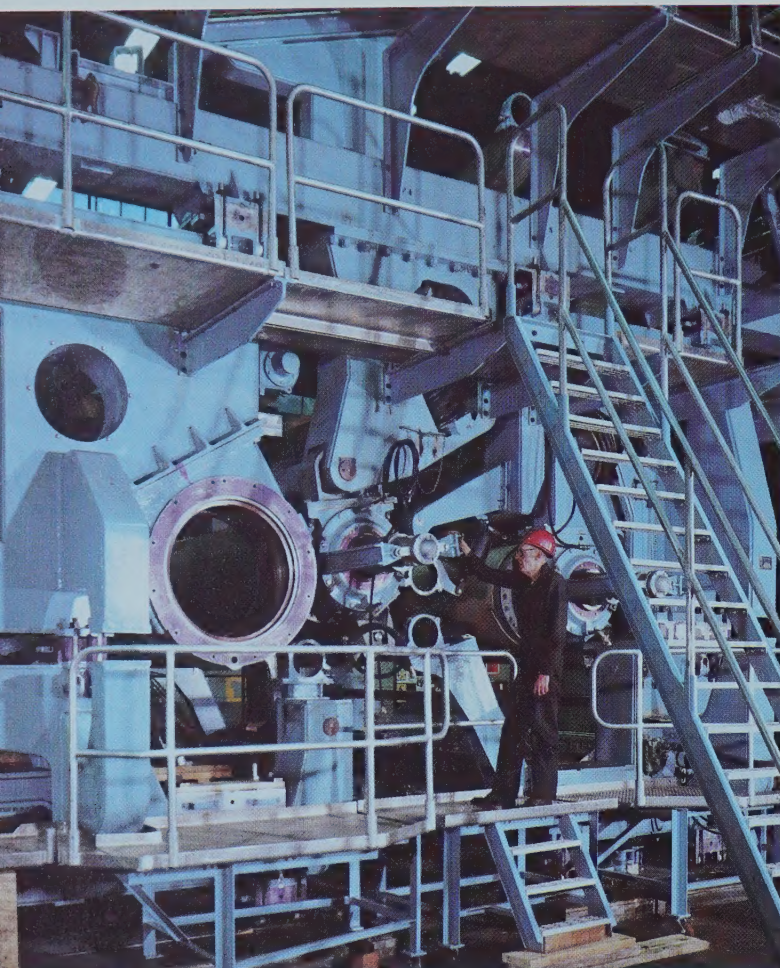
During 1979 a number of changes have occurred in the Board of Directors. At the last annual meeting, Maxwell C.G. Meighen, OBE, having reached the mandatory retirement age for directors, left the Board after thirteen years of distinguished service. Later in the year, the following directors resigned because of changes in their assignments or company affiliations: John F. Burlingame, after six years of outstanding contribution to the work of the Board; Stanley C. Gault, nine years; Dr. Thomas A. Vanderslice, two years; Alva O. Way, six years; and Dr. John F. Welch, two years. The directors wish to express their appreciation to these men for their valuable contributions to the Company. During the year, six new directors were welcomed to the Board — James A. Baker, Steele Curry, Frank P. Doyle, Robert R. Frederick, Terence E. McClary and Alexander M. Wilson.

The directors congratulate and thank all employees for achieving another successful year.

On behalf of the Board of Directors.



ALTON S. CARTWRIGHT
Chairman of the Board and
Chief Executive Officer





D. Forrest Rankine
VP and Division Executive

Apparatus and Heavy Machinery Division

The Apparatus and Heavy Machinery Division had good operating results. Sales increased 22% over 1978 and contributed significantly to overall company results. Obtaining of new orders from the electrical utilities was hampered by uncertainties concerning Canadian electrical load growth. This was offset by increased demand in the steel, mining and forest products industries, and continued success in international markets. Unfilled orders at year-end were at an all-time high, providing the basis for increased growth in the 1980's. The division continued its long-term programs for productivity gains and international cost competitiveness, supported by record levels of plant and equipment expenditures and increased emphasis on research and development.

Dominion Engineering Works

Dominion Engineering Works Limited, a wholly-owned affiliate located in Lachine, Québec, is one of the leading companies in the world in the design and manufacture of heavy machinery and equipment. Now celebrating its sixtieth anniversary, this company produces hydraulic turbines, paper-making machinery, ore grinding mills and steel rolling mills.

Dominion Engineering Works has research and laboratory facilities for the development of its own technology. Its engineers and scientists have many design innovations and patents to their credit. Its world-wide reputation for technical excellence has earned many orders for its products.

Major investments in research and development, and in facilities support Dominion's planned growth for the 1980's in pulp and paper-making machinery, mining equipment, steel rolling mills and hydraulic turbines. Research and development programs include projects for improved paper formation, hydraulic turbine development work on pump turbines and efficiency improvement in other types of turbines. Facility investment programs now underway in the manufacturing areas increased capacity and improved productivity through the addition of more numerically controlled machine tools, the updating of existing key machines and modernization of the foundry. Purchase of a new foundry sand system will permit increased re-cycling of sand and reduce requirements for new sand, thus increasing foundry productivity and reducing costs.

Domestic orders received in 1979 included one from Dofasco for a roughing and finishing steel rolling mill for Dofasco's steel mill expansion program in Hamilton, Ontario. The mill

- 1 Paper machine press section for MacMillan Bloedel in B.C. being assembled at Dominion Engineering Works, Lachine, Québec.
- 2 Winding operations for installation of hydro electric generator — unit # 15 at La Grande 2.
- 3 550 KV ATB-80 air blast breakers for B.C. Hydro will be similar to this unit built by CGE for TVA in the United States.
- 4 Twin 9500 HP hoist motors are connected during manufacture at Peterborough Plant prior to shipment to a mine in the United States.

will have the capacity to process 1.3 million tons of steel per year with provisions for additions which would increase its output to four million tons.

Having acquired a license from The Steel Company of Canada to manufacture and sell, on a world-wide basis, a unique system for rolling hot steel strip called a "coil box", Dominion has obtained an order for its first unit from The Algoma Steel Corporation.

Business improvement in the Canadian pulp and paper industry presented Dominion with opportunities in the rebuilding of paper machinery and orders were obtained from such customers as Canadian International Paper, Québec North Shore Paper, Kruger Pulp and Paper, all of Québec, and MacMillan Bloedel of British Columbia.

Canada's mineral resources development continues to present opportunities and new orders for mining equipment in 1979 included orders for nine large grinding mills from three mining companies in British Columbia — Lornex, Highmont and Climax Molybdenum.

An order was received from Hydro Québec for two additional 245 000 HP hydraulic turbines for La Grande 3 (LG-3) project of Société d'Énergie de la Baie James. The replacement market for hydro turbine runners continues to provide significant opportunities for this affiliate.

In 1979 exports continued to be an important part of Dominion's business. The 1979 export orders obtained included one from the Midtec Paper Corporation in the state of Wisconsin for a 249 inch wide fourdrinier type paper machine and another from the Niagara Mohawk Corporation in the state of New York for two 7 000 HP hydraulic turbines.

The world-wide recognition of the excellence of the research and development activities is demonstrated in the orders obtained from customers. An example is the order received from the Southland Division of St. Regis Paper Corporation in Texas for the first production unit of a newly designed headbox for paper-making machinery, announced in 1979, which improves the quality of the paper sheet produced.

Major Canadian installations completed in 1979 include the commissioning of the last four hydraulic turbines for Manitoba Hydro's Long Spruce project and the first two turbines at La Grande 2 (LG-2) project of Société d'Énergie de la Baie James.

Elsewhere in the world commissioning was completed on twelve ore grinding ball mills for the Mexicana de Cobre mining project in Mexico and two similar mills for the Hispanobras mining project of Cia Vale do Rio Doce in Brazil. In Mexico and Chile projects for the rebuilding of paper machinery were started up and installation work was commenced on four Francis hydraulic turbines at the Salto Santiago hydroelectric project in Brazil.

Industrial Apparatus

In its Peterborough and Trenton plants Industrial Apparatus Department manufactures alternating and direct current electric motors with ratings ranging from fractional horsepower to custom designed multi-thousand horsepower units for use in residential, utility and industrial applications.

The Department focuses a major part of its activities on sophisticated industrial drive systems and process controls for the metals processing, paper-making and mining industries. Specialized industrial systems include

marine propulsion equipment; traction motors, alternators and control systems for diesel-electric locomotives; and off-highway "electric wheel" generators and alternators.

Export activity during the year reached a high level and these export orders contributed significantly to the present plant loading. Important export orders included mine hoist motors for Mexico and locomotive electrics (traction motor, motors, alternators and control panels) for India and Mexico, the latter being the largest order for locomotive electrics ever obtained. Other export activity included the shipment of AC synchronous compressor motors to Russia and the manufacture of twin 9500 HP friction hoist motors for an oil shale project in Colorado.

Activity in Canadian markets was highlighted by a multi-million dollar order from Dofasco for electrical drives and control systems on a hot strip mill in Ontario; and other orders for similar equipment for bar and hot strip mills were also secured. Mining mill drive



activity during the year was significant with orders for multiple quantities of drive units obtained from Canadian mining companies.

Through its research and development activities at Peterborough the Department has made significant advances in technology, leading to the introduction of a new twin synchronous low-torque quadrature torque clutched autogenous mining mill drive, a new microprocessor-based digital speed control system for use with high speed paper machines and a new concept in excitation and wheel slip systems for use on VIA Rail and the U.S. AMTRAK locomotives. The latter is a totally solid-state control system, incorporating integrated circuit technology, which provides more efficient use of engine capability and adhesion between the wheel rim and the track.

The second "R" class twin-screw icebreaker, CCGS Franklin, commissioned in 1979 uses CGE propulsion equipment.

Sales of fractional horsepower and

induction motors grew significantly in 1979. To meet the increasing demands of the market in the small motors business, the Department implemented a substantial three-year investment program totalling over \$12 million for automated equipment and numerical control (N/C) machines. This equipment will be supplemental to automated winding equipment and the numerically-controlled machines currently producing motor endshields and shafts.

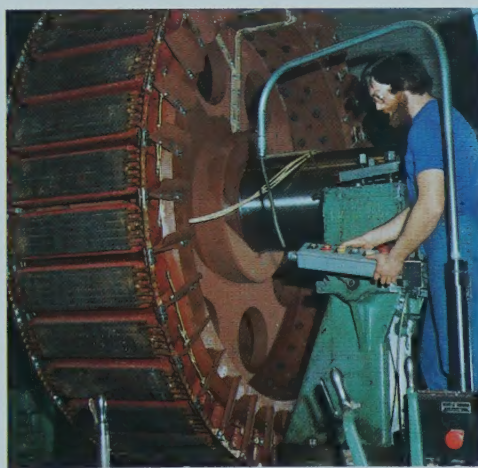
Service Shop sales increased significantly over the previous year. Action to promote repair services, such as participation in industrial maintenance and other trade shows, capitalized on the growing market opportunities in heavy electrical and mechanical equipment repairs. The section continued with its program to upgrade facilities and add equipment.

Additional emphasis was given to manpower development with the establishment of an organization component with responsibility for the formulation and monitoring of training

and development programs for professional employees.

Power Delivery

Power Delivery Department serves the energy needs of Canada, providing equipment for the transmission, distribution, regulation and measurement of electrical energy. The plants of this department are located in Guelph, Peterborough and Toronto, Ontario; St. Augustin and Québec City, Québec; Sackville, New Brunswick and the United Kingdom. Products produced by these plants are shipped to both Canadian and foreign customers, and include transformers, static compensators, distribution transformers, switchgear, watt-hour meters, instruments and appliance controls.



- 1 Visual quality control checks are performed on fuel bundles by Nuclear Product's Gene Jackson.
- 2 Randall Brooks operates numerically controlled milling machine used in the manufacture of nuclear fuel handling components.
- 3 Precise alignment of gate pattern of semiconductor cells is ensured by Sharon Stranaghan at Peterborough Plant.
- 4 Lathe operator Colin Sharpe positions rotor of a large synchronous motor during a run-out check.

Orders obtained during 1979 were significantly above those in 1978. Of these orders approximately 13% are for the export market.

In 1979, the Department's sales increased significantly over the previous year, with 16% of these sales being shipped to export markets.

Export shipments included rectifier equipment to Venezuela, metalclad switchgear and power transformers to customers in the United States, Iran and Brazil. Components for range timers were shipped from the Québec City plant to the Company's wholly-owned subsidiary, Cange, in the United Kingdom, for assembly into finished products for sale in that country.

The power transformer business was highlighted by shipments of several 765 KV power transformers, with a total capacity of 1 700 MVA to Hydro Québec, four 400 KV transformers to Manitoba Hydro and the obtaining of an order for a 345 KV substation for New Brunswick Electric Power Commission. Other highlights included supplying of five 242 KV oil breakers to Ontario Hydro and the winning of an order from B.C. Hydro for sixteen 550 KV air blast breakers.

The high voltage direct current (HVDC) stage V installation was completed and successfully commissioned for British Columbia Hydro, and in a new technology field the Nemiskau Static Compensator was delivered to Hydro Québec.

Capital expenditures in 1979 emphasized product quality and productivity improvement. In Switchgear Operations at the Peterborough Plant, additional numerically-controlled machines were installed. In Québec, the meter assembly line was enclosed in a climate controlled room and fully computerized test equipment was installed. At Guelph, transformer manufacturing processes were improved through additional applications of computer aided design and manufacturing (CAD/CAM) equipment.

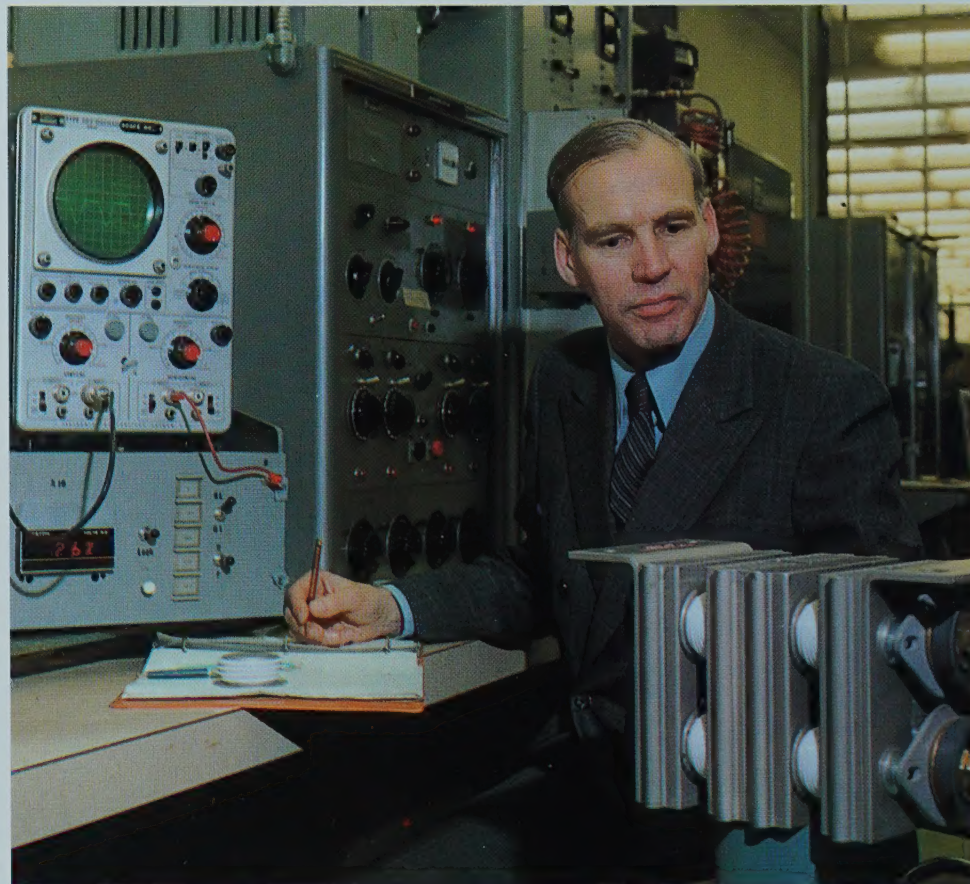
Power Generation

Power Generation Department is the principal focus within the Company for the development and supply of products and services related to Canada's strategic development of electric power.

With facilities at Peterborough and Scarborough, Ontario, and Lachine, Québec, it provides a full range of generators for use with hydraulic, steam and gas turbines. It also supplies steam and gas turbines to permit the best balanced development of the country's natural resources to produce electrical energy. Through the development and manufacture of nuclear fuels and fuel handling systems it has been a key contributor to the development of Canada's CANDU nuclear system. These systems have made it possible for CANDU to establish world records in performance reliability.

The Apparatus Technical Service group performs installation and subsequent service of all the products of the Apparatus and Heavy Machinery Business Division, providing customers with ongoing assurance of reliability and efficiency in product performance. The Department had many achievements during the year and the following are selected highlights.

The first two hydroelectric generators for GURI II, (a 700 000 KVA hydroelectric project) in Venezuela,



- 1 Colin M. Stairs, Manager — Power Systems Engineering responsible for the evaluation and application of high voltage direct current and static compensator components for inclusion in overall power systems.
- 2 Willie Allen of Dominion Engineering Works operating an engine lathe.
- 3 John Carleton setting up impulse circuit for testing at Guelph plant.

were completed and shipped. This was the second project of this size supplied in the past few years against world-wide competition and reconfirms CGE's leadership in hydroelectric generator technology.

The manufacture and installation of the first two of eight 370 000 KVA generators for the La Grande-2 phase of the Baie James project of Hydro Québec were completed significantly ahead of schedule.

The Apparatus Technical Service group completed the installation of the last four of ten hydroelectric generators at Manitoba Hydro's Long Spruce Generator Station on the Nelson River well ahead of schedule, thus permitting the official commissioning of the station in the summer of 1979.

Development programs designed to streamline manufacturing processes in the nuclear fuel plants improved output in 1979. These programs are to be continued into 1980 to achieve further improvements. Investment in sophisticated machine tools has strengthened our capability to supply fuel handling equipment and related components for the CANDU nuclear

systems.

The development and manufacture of nuclear fuelling machines for Ontario Hydro's Bruce "B" generating station continued on schedule.

Apparatus Technical Services obtained the contract for the installation of four steam turbine generating sets at Ontario Hydro's Bruce "B" station. In addition, the section intensified its efforts to obtain contracts for technical services on a broad range of products, with particular emphasis on servicing of computer controlled industrial machinery utilizing numeric control and microprocessors.

In export markets CGE continues to expand its influence around the world in hydroelectric generators, providing product design, technical services and manufacturing to the world-wide GE system. Internationally, 1979 was a year of intense commercial activity in hydroelectric generators and this is expected to produce significant orders in 1980.

Romania ordered the first of its eleven proposed 600 MW CANDU nuclear reactors and CGE is providing engineering and manufacturing support for the fuel-handling systems of this significant order.

An advanced research and development unit for hydroelectric generators has been established to maintain the Company's unique world leadership in this field. This group, reinforced by resources from the research staff of the Company's engineering laboratory, continues to make substantial advances in the technology of electro-magnetics and metallurgy, and its application to the development of hydroelectric generators.

CGE's development of bulb-type hydroelectric generators makes possible the economic utilization of a large untapped renewable energy resource in those Canadian rivers which develop low head between levels of the watercourse. The Department of Energy, Mines and Resources predicts that low head turbine-generator installations will produce an additional 20 000 000 KVA of electric power by the end of the

century. The first Canadian designed and manufactured unit will be installed in 1980 by the Great Lakes Power Company at its St. Mary's River station. Other forms of low head generation are under study to supplement this technology and CGE continues this important development work.

The Department continued its program of involvement and development of its personnel through team responsibility for the management of its businesses. In addition to the Department's management group, each product business is guided by a product management team reflecting the contribution of all functions of that business. These teams, carrying responsibility for current operations and future developments, provide the environment from which the Department's future management personnel for this will develop.



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Robert T. E. Gillespie
VP and Division Executive

Consumer and Construction Products Division

Consumer and Construction Products Division enjoyed a good year. With sales 30% above the previous year, the Division made a significant contribution to overall company results. Commercial aircraft engines, chemicals, plastics and Gescan sales were at all time high levels. Manufactured exports showed a 43% gain including ballasts to the U.S.A., electric kettles to Europe, composite duct to the U.S.A. and Middle East, and lamps to more than 30 countries. As part of the continuing thrust to increase productivity and reduce costs, capital spending on automated equipment increased 81% in 1979. Energy efficiency was stressed in lamps and lighting systems, power saving ballasts and Weathertron® III heat pumps. During the year N.C. Joseph Company, a manufacturer of small appliances located in the United Kingdom, was acquired.

Construction Products

Sales by Construction Products Department increased significantly over the previous year. The increase was attributable to action to increase market penetration on strategically important product lines, stronger markets in 1979 and a 50% growth in export sales as the Department continued its thrust into the United States and other export markets.

In plants located at Toronto, Markham and Peterborough, the Department produces circuit protective devices, distribution

assemblies, motor control centres, general purpose control, wire and cable, ballasts, lighting systems, heating products, traffic control equipment and remote control wiring systems for the construction industry and industrial and commercial users. Expenditures for plant and equipment were increased 60% in 1979 to raise productivity and expand capacity.

The Department continued its emphasis on product development. The energy efficiency of lighting systems was raised to new levels by improvements in ballasts, fixtures and remote control dimming systems. The basic line of distribution products was improved by product enhancement, the introduction of new products, and ballast and heating products developed for export markets.

Early in the year some of the assets of the Department's Wiring Devices Operation were transferred to Smith and Stone Limited in exchange for a 34% interest in the equity of that company, making it one of the largest suppliers of wiring devices in Canada. The larger sales volumes enable that associated company to make investments to improve productivity and unit costs in order to combat imports and increase exports. Coincident with this change, heating products were re-located from the Toronto Ward Street Plant to much improved facilities at the Toronto Davenport plant.

Gescan

Gescan Department, the Company's electrical supplies distributor, also operates as an authorized distributor for over 100 other companies manufacturing electrical products. Major markets served are construction, commercial, industrial, government and utility.

- 1 The new compact 2-way radio Century II.
- 2 Panel Boards in production at Amalgamated Electric.
- 3 The all new redesigned electric kettle on test at Barrie plant.
- 4 The new plug-in Brite Stik® fluorescent lamp can be located wherever light is needed.

Gescan warehouses continued to be located in every significant market area. Additions were planned to match market growth and to take advantage of opportunities in the various geographical regions across Canada. The latest addition was in Cornerbrook, Newfoundland, to serve the paper-making and mining firms in the area.

During 1979, Gescan achieved considerable success with its program to improve productivity through systems review, centralization of financial services, updating material handling equipment, and expanding and modernizing warehouses. The addition of all locations to the department's computerized inventory control system contributed to this improvement and resulted in the achievement of targetted service levels with improved control on investment in inventory.

Sales during the year reached an all time high, reflecting the improvement in commercial and industrial construction activity and Gescan's programs to increase penetration of the market. Export markets presented

opportunities for growth in sales because of Gescan's ability to provide complete project packages of goods made up of CGE products and complementary products from other manufacturers. Two significant contracts received during the year involved a steel processing facility in Trinidad and the new airport in Riyadh, Saudi Arabia.

Gescan is an important supplier of electrical distribution, switching, lighting, ventilating, heating and communication system requirements for major domestic construction projects. Some projects on which Gescan was successful in 1979 include the Newfoundland Telephone Company — St. John's, Massey Hall — Toronto, The Taxation Centre — Sudbury, Sewage Treatment Plant — Gatineau, Québec and the Sun Life Centre — Calgary.

Housewares and Home Entertainment

Housewares and Home Entertainment Department manufactures and

distributes portable kitchen appliances; garment, personal and home care products; radios and tape recorders; and central air conditioning equipment, including heat pumps.

The Department manufactures the majority of housewares products at its plant in Barrie, Ontario. The balance of housewares, audio, central air conditioning and heat pump products are imported from General Electric sources in the United States and abroad.

Expenditures approved to restructure manufacturing at the Barrie plant reached a record high in 1979. These expenditures will enable the department to move toward the attainment of its goals for rationalization of manufacturing.

In accordance with the Department's program, work is proceeding on the rationalization of other products at Barrie. The objectives of the rationalization program are three-fold. First, to increase production, and thus improve employment opportunities in



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- 1 Joanne Osborne assembling an ElectroMulch mower at Barrie plant.
- 2 Doreen Curran, Gescan Telephone sales.
- 3 Joe Francissi, testing TV broadcast transmitter before being shipped to Timmins.
- 4 Daniella Lim Chai Yam, invoice typist at Gescan.

Barrie. Second, to participate actively in export markets by being cost competitive on Barrie-made products. And third, to move toward an improved balance of trade on the import-export operations of the Department.

Within this framework, the electric kettle has been redesigned to make it competitive in world markets. This product, pioneered by the Company in Canada over 33 years ago, was the initial product destined for world markets. The first export orders for the new kettle were obtained in July 1979 and it will be introduced to the United Kingdom market in 1980 by a well-known European company, using its brand name. Renewed interest in this product in other markets holds the promise of increased volume.

Domestically, the success story of the year is the "ElectroMulch"™ mulching lawn mower. This Barrie developed product was enthusiastically received in its first season. As a result of the market acceptance of the mower the planned production for the 1980 season has been substantially

increased. Consumer awareness and the promotion of proper lawn care promoted by the Department promises to pay long term dividends. This mower is also an attractive product for export markets.

During the year, introduction of a number of new housewares products included a "Light 'N Easy"™ compact iron, using a plastic body rather than metal, a food processor with blender, a new broiler "Toast-R-Oven"™, dual voltage hair dryers and curling irons, and a "Zonar"™ intrusion alarm.

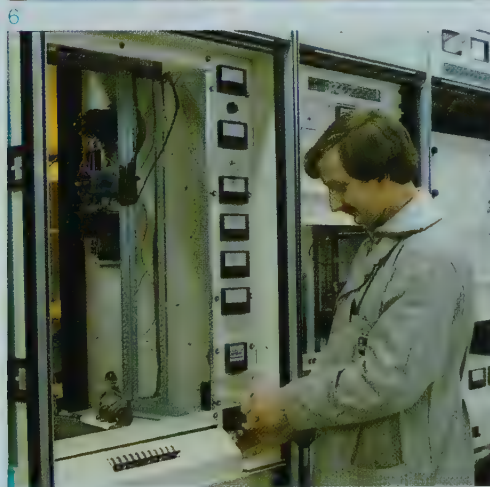
New audio product introductions included improved models of clock radios, tape recorders and portables

which generated significant sales growth. In audio products the two most exciting and unique products were "The Great Awakening"™, a programmable clock radio, using microprocessor technology, and a portable AM/FM "Superadio"™, providing excellent long range high performance features.

Sales of the "Weathertron"™ heat pump increased significantly over the previous year. This was attributable to action to broaden distribution and promotional programs emphasizing the energy saving features of the "Weathertron"™ heat pump. The continually increasing cost of fossil



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- 5 Firmina Pereira loading fluorescent lamp machine at Oakville East Plant
- 6 William Glass, assembler at Amalgamated Electric.
- 7 Bev Stoddart assembling TV broadcast transmitter for CBC in Ottawa.

fuels accelerated the demand for the energy saving CGE heat pump, indicative of favorable prospects in the future.

The acquisition of N.C. Joseph Limited from General Electric promises to have a favorable impact on the results of the department and makes a good fit with the department's rationalization strategy. N.C. Joseph is located at Stratford-on-Avon, in the U.K., and is a manufacturer of Sona brand electric and non-electric housewares and also of metal fabricated products. This subsidiary has the capability to serve the large United Kingdom market with Canadian made products in addition to its own brands.

Lamp

The Lamp Department's sales increased significantly in 1979 over the previous year. Operations were highlighted by strength in domestic and export markets, plant equipment investment programs and energy-efficient products.

The Department's plants in Montreal, Toronto and Oakville manufacture most of the lamps sold by the department. Lamp products not manufactured are imported, almost entirely, from General Electric Company.

The products manufactured and sold by the Department are shipped to

retail, commercial, industrial and automotive markets in Canada and to similar export markets. These products consist of incandescent, fluorescent, high intensity discharge and photoflash lamps.

The achievements of 1978 in exports were repeated in 1979 as the Department increased its exports to record levels, with sales to over 30 countries.

The Department continues to make substantial, but selective, investments in equipment for productivity improvements and introduction of new products such as "Gro & Sho"™ plant lights, "Ruralite"™ incandescent lamps for fluctuating voltage applications and "Deluxe Time-A-Tan"™ suntanning kits.

Lamp Department continued to respond to customer needs for energy saving products with an expanded range of wattages in "Lucalox"™, high pressure sodium and multi-Vapor metal halide high intensity discharge lamps. The Department's computerized lighting system analysis



1. Clarence Laro, Tool and Die Assembly, at Watline
2. William Laro, Welding and Machine Operator at American Electric
3. Tom Laro, Production and Distribution Assembly
4. Lillian Laro, Assembly and Distribution Assembly at Watline

program, which evaluates initial investment costs, energy consumption and light levels to minimize the total cost of light, was extensively used by commercial and industrial users of lamps in their efforts to reduce energy consumption.

Materials and Specialty Systems

The Materials and Specialty Systems Department manufactures television broadcast equipment, mobile radio, silicone fluids and compounds, Lexan® sheet, molded plastic components, a wide variety of chemical resins and fibreglass reinforced products. It distributes other General Electric products in aerospace and information services markets. All product businesses contributed to a 40% growth in sales in 1979.

The Department's aerospace business was allocated additional resources during 1979 to support the McDonnell Douglas/General Electric proposal to the Canadian Government for a new fighter aircraft. A purchasing office was established to maximize

Canadian content in defence programs to assist Canadian manufacturers in marketing their products to General Electric world-wide operations.

As part of its strategic thrust in composite materials, the Department purchased equipment to make glass filled molding compounds. Marketing emphasis on the strength and light weight of these compounds resulted in major molded parts orders from automotive and business machines manufacturers. Significant advances in fibreglass reinforced epoxy winding and curing technology were achieved in 1979 through research and

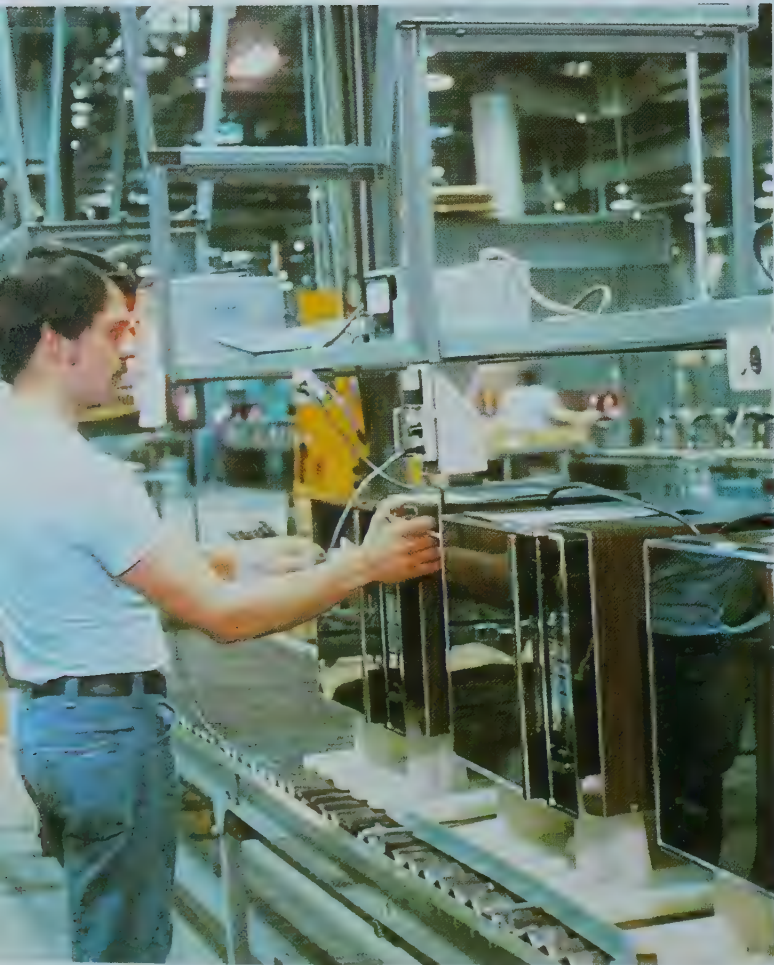
development activity.

A new compact two-way radio, CENTURY II®, was introduced to the fast growing commercial and industrial market. The Canadian manufactured unit has achieved a high degree of acceptance because of its performance and design features.

The Department's Information Services business continued to grow rapidly, offering a broadened line of services. This operation provides access to the largest data processing network in the world in time sharing, batch processing and distributed processing modes. In 1979 the Department augmented its line of terminals and network hardware, and its broad range of specialized software packages.



- 5 Joyce Johnstone testing receivers of Century II.
- 6 Gina Radice second sealer on fluorescent lamps.
- 7 Karinela Piplica working on fluorescent sealing machine.
- 8 Barb Szepielewicz inspection and repair of system board, at Wingold plant.





W.R.C. Blundell
President and Chief Executive Officer

Canadian Appliance Manufacturing Company Limited

Canadian Appliance Manufacturing Company Limited was formed in 1977, through the merger of the major appliance businesses of GSW Limited/Limitée and Canadian General Electric, and the subsequent purchase of the household appliance business of Westinghouse Canada Limited.

In its third year of operation, the company successfully achieved sales of \$291.5 million compared to \$273.1 million in 1978. Net-after-tax income and return on capital employed also showed improvement, in spite of zero growth in the Canadian appliance market.

The company's objective of developing improved productivity and lower costs through plant rationalization has already been achieved in part.

Programs for plant rationalization, consolidation of consumer service and the restructuring of distribution services have been continued, favouring continued growth in 1980.

Plants in Montreal, London, Hamilton, Orangeville and Weston manufactured automatic washers and dryers, dishwashers, ranges, microwave ovens, refrigerators, freezers, air conditioners, humidifiers and de-humidifiers.

Moves to consolidate laundry manufacturing in Montreal, dishwashers in Hamilton, room air conditioners and microwave ovens in Orangeville and freezers in London have been completed. The resulting improved costs made a significant contribution to profit. Initial programs were implemented for the consolidation of ranges and refrigerator manufacturing, with the full impact to be felt in 1981/82.

The consolidation of dishwasher production provided the basis for dramatic growth during 1979.

Consolidations of the physical distribution services continued in 1979. Where at one time this affiliate operated 26 separate warehouses across Canada, this has now been reduced to 11. With the completion of this program in 1980 Canadian Appliance Manufacturing Company will be able to offer customers service at least equivalent to the best in the industry.

Four well-known brands of products — Moffat, McClary, General Electric and Hotpoint — were sold to retailers and the building trade and during 1979 all brands improved market share performance.

Export sales increased by \$3.6 million over the previous year. Of particular interest was the export of freezers to the United States carrying the General Electric signature trade mark.

Expenditures on plant and equipment resulted in lower product costs and improved quality and reliability of components. The addition of five large

injection molding machines, robotic spraying, electronic testing equipment and process control systems were part of an equipment modernization program aimed at improving consumer value and reliability.

The new microwave spacemaker oven was introduced in the fall of 1979. This was an innovative built-in product designed to fit above the conventional range and provide a built-in vent and range light, taking the microwave oven off the crowded kitchen counter top.

Much time has been spent on design and feature development in preparation for a new product launch by the brands on all product lines in 1980.

Customer satisfaction was of prime importance. Recognizing this, the affiliate has consolidated customer service operations, giving the affiliate the broadest coverage of any manufacturer in Canada. Four hundred and sixty factory trained technicians operated out of thirty-seven service centres with a fleet of over four hundred trucks. Another six hundred employees in the customer service operations provided back-up support.

- 1 John Vance, Salesman, explaining features of G.E. range to dealer.
- 2 John Easterling, a serviceman working on a Hotpoint range.
- 3 Steve Pohlke, assembling microwave ovens at the Orangeville plant.
- 4 Richard Bint, Tow Motor Operator, stacking ranges at the Rexdale warehouse.



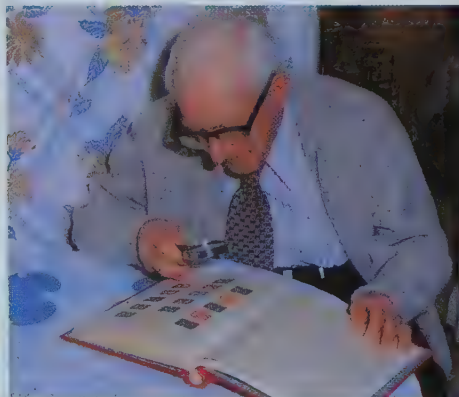
CGE People, Technology, Community Support

CGE People

CGE's Canadian employment, including the employees of Canadian Appliance Manufacturing Company, totalled 20,659 in 1979 and 18,963 in 1978.

Of the CGE employees, over 10,900 hourly employees and 576 foremen were employed in manufacturing operations; 2,790, in clerical; and 3,400 in professional and management activities, including 500 salesmen and sales managers. Of these employees 22% had 25 or more years of service and 42% had been with the Company 10 years or less.

Apprenticeship programs were in place at the end of 1979 with 100 employees participating in 12 training options.



- 1 The Company sponsored a performance of the ballet *Swan Lake* starring Karen Kain and Frank Augustyn of the National Ballet of Canada.
- 2 Technician Carolyn Payne in the engineering laboratory at Peterborough
- 3 An avid stamp collector, Ches Mowry retired from Peterborough Plant in 1951 with 46 years service.
- 4 Peter de H. Eastcott, Manager, Engineering Mining and Material Handling Systems
- 5 Les Martin foreman of the Iron Section at Barrie Plant.

Development courses continued to be available for management and professional people. Entry level programs such as the Graduate Engineer Development, Financial Management and Employee Relations Development Programs provided functional training to incoming recruits and oriented them to the Company. The Company used resources at General Electric's educational centre to provide further education in managerial work.

The Company co-operated with the University of Toronto to develop an Advanced Engineering Course, to meet CGE's needs in providing educational opportunities to its highly skilled engineering people, but open to the community-at-large. This course leads to a Masters degree and requires full time attendance at the University.

At the end of the year there were seventeen *francophones* in senior and middle management positions. Two were at the Department General Manager level and 17 at the next level, including three Managers — Finance. Francophones constituted over 30% of the university and college graduates hired.

In 1979 The Charles P. Steinmetz Award was bestowed on Peter de H. Eastcott, Manager — Engineering Mining and Materials Handling Systems, by General Electric Company in recognition of his outstanding technical contributions to the Company and the mining industry through the originality of his concepts apparent in his many inventions.

He represents and is a part of a group of engineers in the Company who work on the frontiers of technology, developing inventions and improvements of benefit to the customer, the Company and society. *The Company's occupational health*

and safety initiatives compared favorably with other companies in the same lines of business. The strengthened professional medical staff promoted activities to reduce potential in-plant health and environmental risks in both the short and long term.

Pensioners on the CGE pension payroll at December 31, 1979 totalled 3,362 retirees and 377 spouses and other pensioners. Effective January 1, 1980 pensions were increased by 8% for those pensioners who were on the pension payroll at December 31, 1977. This is the seventh adjustment since the first one in 1967. The last four adjustments, beginning in 1974, have cumulatively improved the pensions of those pensioners who qualified for the adjustment in 1974 by 40%.

Community Support

In the five year period 1975-79, CGE contributed \$1.6 million to health and welfare, education, culture, civic causes and other charitable organizations. Fifty percent went to health and welfare; 28% to universities; 14% to culture and the balance to a variety of causes across Canada. The Company's response to requests recognized the worthiness of the causes, regional distribution and special responsibilities in major CGE communities. Across Canada, CGE people participated in a variety of community affairs, civic causes and municipal government. The Company encouraged this participation and local managers assisted by developing work schedules to accommodate individuals in particular situations.

CGE Technology

During the seventies CGE spent over \$93 million on research and

development activities to pioneer new products and improve product efficiency.

Pioneering research and development work resulted in major advances in electrical generation equipment and transmissions systems, providing electrical utility customers with increased efficiencies.

Research and development expenditures on industrial products resulted in many innovations including steel rolling mill drives and equipment, ore grinding mills, paper-making machinery, friction mine hoists, rectifier systems for electric smelters and modular motor control centres.

Research and development on CGE products has resulted in the effective application of electronic and advanced computer technologies in those products. A few of the noteworthy applications were microprocessor based control systems for paper mills, the "Lød Trak"® motor protection relay, a solid state television transmitter, a secure police radio dispatch system under computer control and a computer program called DICON (Device Installation and Connection) for the preparation of wiring layouts for power stations and industrial plants.

Among the consumer products originating from the Company research and development activities were the "Electromulch"® mulcher lawnmower, an electric kettle for export markets, controls for gas ranges in the U.K. market and spot and flood lamps for 220/240 volt service.

The application of integrated computer systems for analysis, design, fabrication, testing and documentation of products at the Company's Guelph plant improved efficiencies in design and manufacture of power transformers.

1979 Financial Information

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Summary of significant accounting policies

The Financial Statements on pages 22-24 and the related notes on pages 25-28 are prepared on the basis of accounting principles generally accepted in Canada. As an aid in evaluating these Financial Statements, the most significant of the principles followed by Canadian General Electric Company Limited are described below.

Basis of consolidation

The Financial Statements in this report consolidate the accounts of the Company, its wholly-owned subsidiaries and the companies in which it has a majority equity interest ("affiliated companies") except the sales finance subsidiary which has been accounted for by the equity method. The sales finance subsidiary has not been consolidated because its financial statement components are dissimilar to those of the consolidated group and management believe that its consolidation would not provide the more informative presentation to the shareholders. Associated companies in which the Company has a 20% to 50% interest have been accounted by the equity method.

All inter-company transactions and profits thereon have been eliminated in these consolidated financial statements. A list of active companies in the group is shown on the opposite page.

Sales

Sales of products and services to customers are reported in operating results only when title to products and materials passes to the customer or when services are performed as contracted.

Pensions

Canadian General Electric and its affiliates have a number of pension plans. The most significant of these plans is the Canadian General Electric Pension Plan which uses the unit credit actuarial valuation method which assumes that a unit of pension benefit accrues in each year of credited service.

Current service costs are charged to operations as they accrue. Past service costs arising from improvements to the plans are charged to operations over varying periods which approximate the remaining service lives of the employees affected.

Investments of Canadian General Electric Pension Trust, which funds the obligations of the Canadian General Electric Pension Plan, are carried at cost plus a programmed portion of unrealized appreciation on equities. This accounting reflects long-term market trends with the objective of adding to cost over time such amounts as will result in an average common stock book value not more than 90% of its average market value over the prior five years. The actuarial funding program uses 7% (1978-6½%) as the estimated rate of future earnings of the Trust.

Translation of foreign currency

Foreign currency transactions are translated to Canadian dollars at the rate of exchange in effect at the date of the transaction. Foreign currency balances, all of which are current, are translated using the rate of exchange in effect at the year-end date.

The foreign currency financial statements of foreign subsidiaries are

consolidated by translating current assets and current liabilities to Canadian dollars at the rates in effect at the year-end date and property, plant and equipment at the rates prevailing at the respective transaction dates. Revenues and expenses are translated at average rates prevailing during the year except for depreciation which is translated at the rates prevailing when the related assets were acquired.

Foreign currency exchange and translation gains and losses are included in current operations.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first in, first out (FIFO) method for substantially all inventories and is based on the cost of material, direct labour and manufacturing overhead.

Property, plant and equipment

Plant and equipment is recorded at the original cost of land, buildings and equipment, less accumulated depreciation. The diminishing balance method is used to depreciate all plant and equipment except for leasehold improvements and certain equipment leased to third parties, which are amortized using the straight-line method. On major dispositions of property, plant and equipment, the related costs and accumulated depreciation are removed from the accounts and any resultant gain or loss

is included in earnings. Expenditures for maintenance and repairs are charged to operations as incurred.

Oil and gas resource properties are accounted for by use of the full cost method, whereby all costs related to exploration and development are capitalized and depleted by a unit-of-production method based on estimated recoverable reserves.

Research and development

Research and development expenditures are charged to operations as incurred.

Warranties

Provision for product warranty costs is made by a charge to operations in the year the product is sold.

Affiliated company

Canadian Appliance Manufacturing Company Limited (60% equity interest).

Wholly-owned subsidiaries

Amalgamated Electric Corporation Limited
Cange Limited (United Kingdom)
Dominion Engineering Company Limited
Dominion Engineering Works Limited
Genelcom Limited
Montreal Armature Company Limited
N.C. Joseph Limited (United Kingdom)
W.L. Stevens Ltd.

Non-consolidated wholly-owned subsidiary

Genelcan Limited

Associated company

Smith & Stone Limited (34% equity interest)

Consolidated Statement of Earnings (\$000's)

For the year ended December 31	1979	1978
Sales of products and services (note 1)	\$1 338 730	\$1 103 695
Operating costs (note 2):		
Employee compensation, including benefits (note 3)	408 107	348 212
Materials, supplies, services and other costs	833 715	680 008
Depreciation and amortization	23 765	20 550
Taxes, other than on income	10 533	9 850
	1 276 120	1 058 620
Operating margin	62 610	45 075
Other income (note 4)	10 858	12 373
Interest and other financial charges	(8 264)	(6 110)
Earnings before income taxes and minority interest	65 204	51 338
Provision for income taxes (note 5)	24 665	16 319
Minority interest	2 209	1 407
Net earnings	\$ 38 330	\$ 33 612
Net earnings per common share	\$4.69	\$4.11

Consolidated Statement of Retained Earnings (\$000's)

For the year ended December 31	1979	1978
Retained earnings, beginning of year	\$314 526	\$294 003
Net earnings	38 330	33 612
Contribution from parent company (note 6)	4 694	—
Dividends declared (note 7)	(14 316)	(13 089)
Retained earnings, end of year	\$343 234	\$314 526

The information on pages 20-21 and 25-28 is an integral part of these statements.

Consolidated Statement of Financial Position (\$000's)

At December 31	1979	1978
Assets		
Current assets:		
Cash	\$ 6 934	\$ 4 596
Short-term investments (note 8)	25 600	20 600
Current receivables (note 9)	274 418	227 260
Inventories (note 10)	352 618	262 070
Deferred income taxes	21 646	17 603
	681 216	532 129
Long-term receivables (note 11)	39 359	41 248
Long-term investments (note 12)	10 334	8 422
Property, plant and equipment (note 13)	142 354	121 387
Deferred charges and other assets (note 14)	30 885	27 088
	\$904 148	\$730 274
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings (note 15)	\$ 9 848	\$ 11 496
Accounts payable (note 16)	146 129	85 785
Progress collections	121 545	90 225
Dividends payable	3 681	3 272
Taxes payable	28 897	13 421
Other liabilities and accruals (note 17)	122 893	105 877
	432 993	310 076
Long-term borrowings (note 18)	44 979	33 284
Non-current accruals (note 19)	27 768	28 075
Deferred income taxes	19 361	10 700
Minority interest	8 811	6 602
Shareholders' equity:		
Capital stock (note 20)	27 002	27 011
Retained earnings	343 234	314 526
Total shareholders' equity	370 236	341 537
	\$904 148	\$730 274

The information on pages 20-21 and 25-28 is an integral part of this statement.

On behalf of the Board:
A.S. Cartwright, Director
D.W. Timmis, Director

Consolidated Statement of Changes in Financial Position (\$000's)

For the year ended December 31	1979	1978
Source of funds:		
From operations	\$ 77 247	\$ 71 911
Disposition of plant and equipment	2 128	1 526
Increase in long-term borrowings	11 695	30 249
Contribution from parent company (note 6)	4 694	—
	95 764	103 686
Application of funds:		
Increase in long-term receivables and investments	1 402	941
Property, plant and equipment additions	46 860	28 787
Dividends	14 316	13 089
Special pension payment	—	19 225
Other assets and liabilities	7 016	3 800
	69 594	65 842
Net increase in working capital	26 170	37 844
Working capital, beginning of year	222 053	184 209
Working capital, end of year	\$248 223	\$222 053

The information on pages 20-21 and 25-28 is an integral part of this statement.

Notes to financial statements

These notes amplify and explain the more significant items included in the Financial Statements on pages 22-24 and the application of accounting principles, including those specifically discussed on pages 20-21. Financial information by industry segment is disclosed on page 28.

1. Sales by geographic area (\$000's)

For the year ended December 31	1979	1978
Canada	\$1 201 113	\$1 008 850
United States	40 481	48 005
Central and South America and West Indies	36 067	11 920
Europe	26 931	15 298
Asia, Australia and New Zealand	25 145	15 342
Africa and other	8 993	4 280
	\$1 338 730	\$1 103 695

Sales to the parent company and its affiliates in 1979 amounted to \$22.9 million (1978 — \$21.0 million).

2. Operating costs

Operating costs include research and development costs of \$16.3 million in 1979 (1978 — \$11.2 million).

Purchases from the parent company in 1979 amounted to \$189.2 million (1978 — \$164.6 million).

3. Employee compensation, including benefits

Employee compensation and benefits amounted to \$408.1 million in 1979 (1978 — \$348.2 million). The cost of benefits included \$23.5 million for Company pension and life and health insurance plans and \$13.3 million of Company costs for government pension, unemployment insurance, workmen's compensation, and health insurance plans.

During 1979, 22 persons served as Company directors and 31 as Company officers, including 2 who also served as directors. The aggregate 1979 remuneration to directors for their services as directors amounted to \$58 050 and the aggregate 1979 remuneration to Company officers was \$3 320 374.

Unfunded obligations of all pension plans in the consolidated group at January 1, 1979 were approximately \$57.5 million, of which the vested portion was approximately \$10.6 million. These obligations are normally funded over periods of up to 15 years in accordance with government legislation.

The most significant of these pension plans is the Canadian General Electric Pension Plan which is funded by the Canadian

General Electric Pension Trust, condensed statements of which appear below:

Canadian General Electric Pension Trust Condensed Operating Statement (\$000's)

For the year ended December 31	1979	1978
Company current and past service contributions	\$ 6 775	\$ 26 754
Employee current service contributions	4 750	4 380
Dividends, interest and sundry income	19 790	16 417
Capital gains	6 430	2 408
Unrealized appreciation recognized	(3 661)	(53)
Pensions paid	(13 813)	(12 032)
	20 271	37 874
Total assets at beginning of year	227 378	189 504
Total assets at end of year	\$247 649	\$227 378

Canadian General Electric Pension Trust Condensed Statement of Financial Position (\$000's)

At December 31	1979	1978
Bonds	\$ 71 934	\$ 62 028
Stocks	83 124	76 274
Mortgages and real estate	54 408	43 655
Short-term investments	33 334	41 332
	242 800	223 289
Other assets — net	4 849	4 089
	\$247 649	\$227 378

4. Other Income (\$000's)

For the year ended December 31	1979	1978
Net earnings (loss) of sales finance subsidiary	\$ (554)	721
Share of loss of associated company	(559)	—
Income from:		
Royalty and technical agreements	1 083	1 261
Customer financing	746	743
Long-term receivables	3 113	3 201
Short-term and other investments	3 757	2 076
Disposition of property, plant and equipment	996	2 951
Other sources	2 276	1 420
	\$ 10 858	\$ 12 373

5. Provision for income taxes (\$000's)

For the year ended December 31	1979	1978
Currently payable	\$ 20 350	\$ 5 195
Deferred	4 315	11 124
	\$ 24 665	\$ 16 319

6. Contribution from parent company

During the year, the parent company made a contribution to the Company by transferring the ownership of the shares of N.C. Joseph Limited at their fair market value of \$4.7 million.

7. Dividends declared

During the year, dividends were declared on common shares at the rate of \$1.75 per share and on the special employees' preferred shares at the rate of \$2.50 per share.

8. Short-term investments

Short-term investments consist of interest-bearing loans secured by commercial paper due on demand or within periods generally not exceeding 30 days.

9. Current receivables (\$000's)

At December 31	1979	1978
Customers' accounts	\$243 526	\$187 047
Due from parent company	4 866	16 232
Due from non-consolidated subsidiary	383	408
Progress payments to suppliers	10 914	12 567
Other receivables	14 729	11 006
	\$274 418	\$227 260

10. Inventories (\$000's)

At December 31	1979	1978
Raw materials and work in process	\$185 228	\$139 030
Finished goods	138 827	109 430
Unbilled shipments	28 563	13 610
	\$352 618	\$262 070

Unbilled shipments represent the cost of products shipped, for installation at customers' sites, to which title has not passed.

As stated in the summary of significant accounting policies, the first-in, first-out (FIFO) method is used to determine the cost of substantially all inventories. The last-in, first-out (LIFO) method is used to determine the cost of the copper and aluminum content. Had the FIFO method been used for all inventories, these would have been greater by \$7.2 million (1978 — \$3.5 million).

11. Long-term receivables

Long-term receivables were discounted, where appropriate, at interest rates prevailing at the time of the related transactions. These discounts are amortized and credited to income over the term of such receivables.

12. Long-term investments (\$000's)

At December 31	1979	1978
Investment in sales finance subsidiary	\$ 7 841	\$ 7 395
Investment in associated company	1 476	—
Other	1 017	1 027
	\$10 334	\$ 8 422

During the year, the Company transferred certain assets to Smith & Stone Limited in exchange for a 34% equity interest in that company.

A condensed consolidated balance sheet of the sales finance subsidiary appears below:

Genelcan Limited**Condensed consolidated statement of financial position (\$000's)**

At December 31	1979	1978
Assets:		
Finance receivables	\$78 590	\$69 402
Other assets	2 280	958
	\$80 870	\$70 360
Liabilities:		
Short-term	\$48 029	\$47 965
Long-term	25 000	15 000
	73 029	62 965
Capital stock	5 000	4 000
Retained earnings	2 841	3 395
	\$80 870	\$70 360

Copies of Genelcan Limited's 1979 Annual Report may be obtained by writing to Genelcan Limited, 18 King Street East, Toronto, Ontario M5C 1C8.

13. Property, plant and equipment (\$000's)

Major classes at December 31	1979	1978
Land and improvements	\$ 8 171	\$ 8 357
Buildings	105 423	100 407
Machinery and equipment	259 930	229 539
Leasehold improvements	1 814	1 577
Resource properties	6 888	1 052
	382 226	340 932
Less accumulated depreciation and amortization:		
Buildings	57 879	55 460
Machinery and equipment	180 975	163 339
Leasehold improvements	1 018	746
	239 872	219 545
Undepreciated cost at December 31	\$142 354	\$121 387

The depreciation rates applicable to buildings, and machinery and equipment are principally 5% and 20% respectively.

14. Deferred charges and other assets

Deferred charges includes \$17.6 million being the balance of a special advance payment made to the Canadian General Electric Pension Trust to fund the vested portion of the unfunded pension liability. This pension cost is being amortized to operations over the next twelve years, which approximates the remaining service lives of the employees affected.

15. Short-term borrowings

Short-term borrowings at December 31, 1979 included \$8.1 million (1978 — \$9.0 million) due to Canadian chartered banks of which \$3.6 million (1978 — \$7.7 million) is in respect of the appliance affiliate. Also included is the current portion of long-term borrowings of \$1.3 million (1978 — \$1.3 million).

16. Accounts payable

Accounts payable include amounts due to the parent company incurred in the normal course of business of \$77.0 million (1978 — \$35.4 million) which are settled on normal commercial terms.

17. Other liabilities and accruals

Other liabilities and accruals at December 31, 1979 included \$27.8 million (1978 — \$23.7 million) in respect of accrued employee compensation and benefits including accrued vacations, \$23.6 million (1978 — \$22.5 million) in respect of accruals for warranties and \$5.3 million (1978 — \$4.7 million) in respect of accrued amounts due to the parent company.

18. Long-term borrowings

The Company has entered into a 5 year term loan agreement with a Canadian chartered bank for \$1.6 million repayable in equal annual installments.

During the year the appliance affiliate, Canadian Appliance Manufacturing Company Limited, re-negotiated its bank borrowing arrangements to provide for a line of credit for a period of 18 months, such period renewable every six months. Accordingly, these bank borrowings have been classified as long-term borrowings and amounted to \$42.2 million at December 31, 1979 (1978 — \$30.0 million). Financing may consist of Bankers' Acceptance and/or Bank Advances with interest rates related to market and official prime. Bank borrowings are secured by a general assignment of the affiliate's accounts receivable and inventories, a fixed charge on its real property, and a first floating charge on its other assets. In addition, the affiliate has a note for \$2.0 million (1978 — \$3.0 million) outstanding which is being repaid by annual instalments of \$1.0 million. This note is held by a Canadian chartered bank.

Interest on long-term borrowings amounted to \$7.7 million (1978 — \$5.4 million).

19. Non-current accruals (\$000's)

At December 31	1979	1978
Accrual for pensioners life insurance benefits	\$23 957	\$21 666
Accrual for certain past service pension benefits, principally vested	6 670	8 707
	30 627	30 373
Less amount due within one year included with other liabilities and accruals	2 859	2 298
	\$27 768	\$28 075

20. Capital stock (\$000's)

At December 31	1979	1978
Common shares:		
Authorized, issued and outstanding 8,178,800 shares without nominal or par value	\$26 942	\$26 942
Special employees' preferred shares:		
Cumulative redeemable at par value of \$50 per share.		
Authorized, issued and outstanding 1,186 shares (1978 — 1,377 shares)	60	69
	\$27 002	\$27 011

21. Commitments and contingent liabilities

The Company is contingently liable under guarantee for notes payable by its non-consolidated sales finance subsidiary, Genelcan Limited. Lease commitments, pending litigation and claims, in the opinion of management, are not considered to be material in relation to the Company's financial position.

Industry Segment Information (\$000's)

Revenues for the years ended December 31						
	Total Revenues		Intersegment sales		External Sales and Other Income	
	1979	1978	1979	1978	1979	1978
Electrical apparatus and components	\$ 703 438	\$ 559 535	\$52 974	\$37 940	\$ 650 464	\$ 521 595
Consumer products and services	448 517	407 465	9 814	8 321	438 703	399 144
Machinery, technical systems and materials	269 266	199 191	15 638	13 762	253 628	185 429
General corporate items and eliminations	(71 633)	(50 123)	(78 426)	(60 023)	6 793	9 900
Total	\$1 349 588	\$1 116 068	\$ —	\$ —	\$1 349 588	\$1 116 068
	Segment operating profit for the years ended December 31		Net earnings for the years ended December 31			
	1979	1978	1979	1978		
Electrical apparatus and components	\$36 078	\$27 107	\$16 366	\$13 641		
Consumer products and services	32 291	22 072	12 904	8 453		
Machinery, technical systems and materials	18 945	14 307	10 536	7 294		
Total segment operating profit	87 314	63 486				
General corporate items and eliminations	(13 846)	(6 038)	(1 476)	4 224		
Interest and other financial charges	(8 264)	(6 110)	—	—		
Total	\$65 204	\$51 338	\$38 330	\$33 612		
	Assets at December 31		Property, plant and equipment for the years ended December 31			
			Additions		Depreciaton	
			1979	1978	1979	1978
Electrical apparatus and components	\$401 343	\$333 251	\$21 001	\$15 882	\$12 885	\$11 187
Consumer products and services	229 506	186 707	10 070	5 855	6 627	5 615
Machinery, technical systems and materials	174 302	103 109	9 561	4 351	4 021	3 572
General corporate items and eliminations	98 997	107 207	6 228	2 699	232	176
Total	\$904 148	\$730 274	\$46 860	\$28 787	\$23 765	\$20 550

Electrical apparatus and components

includes hydro generators, steam turbine-generators, industrial and transportation motors and controls, small motors, electrical components and controls, transformers, switchgear, meters, appliance controls and the maintenance, inspection, repair and rebuilding of electrical and mechanical apparatus.

Consumer products and services

consists of major appliances and appliance service, lighting products, housewares and audio products and air conditioning equipment.

Machinery, technical systems and materials

includes hydraulic turbines, heavy machinery for the mining, paper and steel industries; jet engines for aircraft; electronic, communications and data communications equipment; materials including plastics, silicones, industrial cutting materials, and laminated and insulating materials; and computer timesharing and remote data processing services.

Segmentation Accounting Practices

In general, it is the Company's policy to price internal sales at approximately the equivalent commercial selling prices.

In computing net earnings, general corporate expenses and interest and other financial charges have been allocated to the industry segments. General corporate expenses are allocated principally on the basis of cost of operations with certain exceptions and reductions which recognize the varying degrees to which affiliated companies maintain their own corporate structures. Interest and other financial charges are allocated to parent company components based principally on cash flow, whereas affiliated companies generally service their own debt. The provision for income taxes is based on the appropriate corporate income tax rates. The minority interest is included in general corporate items.

We have prepared the accompanying consolidated statement of financial position of Canadian General Electric Company Limited and consolidated affiliates as at December 31, 1979 and 1978, and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended, including the notes to the financial statements. The statements have been prepared in conformity with accounting principles generally accepted in Canada, as appropriate in the circumstances, and include amounts that are based on our best estimates and judgments. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

The Company maintains a system of internal financial controls and procedures, supported by a corporate staff of travelling auditors and supplemented by resident auditors located at various Company locations.

This system of financial controls is time-tested and responsive to change. Perhaps the most important safeguard in this system for the shareholders is the Company's long-standing emphasis placed on the selection, training and development of professional financial managers to implement and oversee the proper application of its internal controls.

The Company's independent auditors, appointed by the shareholders, provide an objective, independent review of management's discharge of their responsibilities as they relate to the fairness of reported consolidated operating results and financial condition of the Company.

The Audit Committee of the Board of Directors is composed solely of outside directors. The shareholders' auditors have free access to this Committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls

and the quality of financial reporting.

The Company's management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the recording and reporting requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its domestic and international activities.



Chairman of the Board and Chief Executive Officer



Vice President — Finance

January 25, 1980

Auditors' report to the shareholders

We have examined the consolidated statement of financial position of Canadian General Electric Company Limited and consolidated affiliates as at December 31, 1979 and 1978, and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 and 1978, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.



Chartered Accountants

Ten year summary

(Dollar amounts in thousands, except per share amounts)

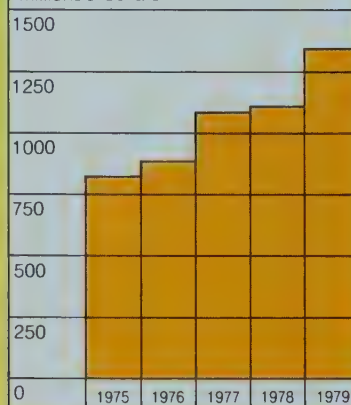
	1979	1978	1977	1976	1975
Sales of products and services	\$1 338 730	\$1 103 965	\$1 079 727	\$879 427	\$822 134
Net earnings (before extraordinary items)	38 330	33 612	30 534	32 699	36 075
Net earnings per share	4.69	4.11	3.73	4.00	4.41
Earnings as a percentage of sales	3.0%	3.2%	2.9%	3.7%	4.4%
Market price of last sale of the year:					
Per common share	\$29.50	\$28.00	\$24.50	\$23.00	\$24.25
Dividends on common shares	\$ 1.75	\$ 1.60	\$ 1.55	\$ 1.40	\$ 2.20
Current assets	\$ 681 216	\$ 532 129	\$ 496 860	\$406 778	\$441 296
Current liabilities	432 993	310 076	312 651	239 219	288 830
Total assets	904 148	730 274	666 024	571 187	602 435
Plant and equipment additions	\$ 46 860	\$ 28 787	\$ 25 297	\$ 21 127	\$ 21 094
Depreciation and amortization	23 765	20 550	17 560	15 739	16 840
Provision for income, property, and capital taxes	35 198	26 169	23 875	30 483	34 560
Average number of employees	19 767	18 662	18 823	17 512	18 789

*Includes a special dividend of \$1.00 per share.

Five Year Summary

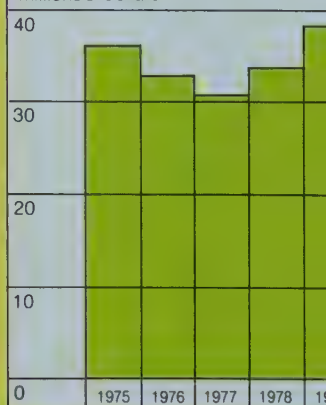
Sales of Products and Services

millions of dollars



Net Earnings before extraordinary items

millions of dollars



1974	1973	1972	1971	1970
709 913	\$583 414	\$530 174	\$495 755	\$489 992
23 893	18 680	16 504	13 212	11 359
2.92	2.28	2.02	1.62	1.39
3.4%	3.2%	3.1%	2.7%	2.3%
\$20.00	\$26.50	\$32.00	\$28.00	\$19.50
\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
382 615	\$256 300	\$233 667	\$240 943	\$253 379
246 996	131 572	126 543	141 864	149 819
563 754	429 720	409 951	412 918	409 922
24 775	\$ 14 194	\$ 15 042	\$ 16 712	\$ 18 320
18 491	16 481	17 241	12 615	13 374
24 793	21 347	20 617	14 845	14 641
19 193	17 890	17 583	17 950	19 789

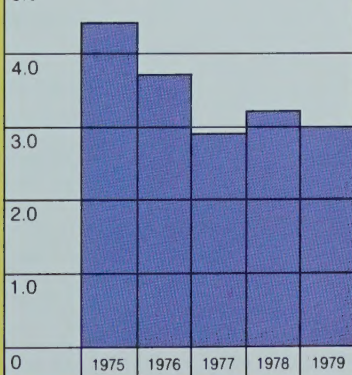
Net Earnings per share before extraordinary items

dollars per share



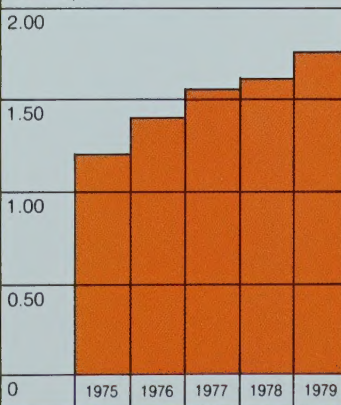
Earnings as a percentage of sales before extraordinary items

5.0



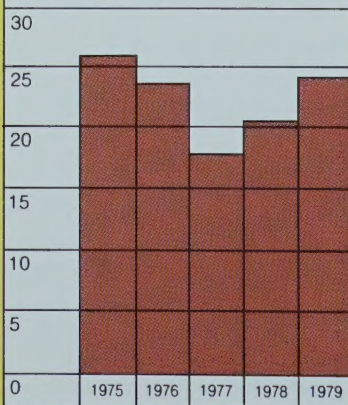
Regular Dividends

dollars per share



Reinvested Earnings

millions of dollars



Directors Canadian General Electric Company Limited

James A. Baker

Executive Vice President and
Sector Executive
Industrial Products and
Components Sector
General Electric Company
Fairfield, Connecticut

Alton S. Cartwright

Chairman of the Board and
Chief Executive Officer
Canadian General Electric
Company Limited
Toronto, Ontario

Steele Curry

President and Chief Executive Officer
Revelstoke Companies Ltd.
Calgary, Alberta

Frank P. Doyle

Vice President
Corporate Employee
Relations Operation
General Electric Company
Fairfield, Connecticut

Robert R. Frederick

Executive Vice President
and Sector Executive
International Sector
General Electric Company
Fairfield, Connecticut

Robert B. Kurtz

Senior Vice President
Corporate Production and
Operating Services
General Electric Company
Fairfield, Connecticut

Hon. Maurice Lamontagne, P.C.

Member of the Senate of Canada,
Ottawa, Ontario

H. Ian Macdonald

President
York University
Toronto, Ontario

Terence E. McClary

Vice President
Corporate Financial Administration
General Electric Company
Fairfield, Connecticut

William F. McLean

Chairman of the Board
Canada Packers Inc.
Toronto, Ontario

Mackenzie McMurray

Corporate Director
Montreal, Québec

Denis W. Timmis

President and Chief Executive Officer
Sandwell and Company Limited
Vancouver, British Columbia

Antoine Turmel

Chairman of the Board and
Chief Executive Officer
Provigo Inc.,
Montreal, Québec

Walter G. Ward

Chairman of the Board
The Algoma Steel Corporation, Limited
Toronto, Ontario

Alexander M. Wilson

Chairman of the Board and
Chief Executive Officer
Utah International Inc.,
San Francisco, California

Committees of the Board of Directors

Audit Committee

H. I. Macdonald
W. F. McLean
D. W. Timmis (*Chairman*)
W. G. Ward

Operations Committee

J. A. Baker
A. S. Cartwright (*Chairman*)
S. Curry
R. R. Frederick
R. B. Kurtz
H. I. Macdonald
T. E. McClary
W. F. McLean
D. W. Timmis
A. Turmel
W. G. Ward

Corporate and Resources Planning Committee

A. S. Cartwright (*Chairman*)
S. Curry
R. R. Frederick
M. Lamontagne
M. McMurray
D. W. Timmis
W. G. Ward
A. M. Wilson

Management Development and Compensation Committee

A. S. Cartwright (*Chairman*)
R. R. Frederick
W. F. McLean
M. McMurray
A. Turmel

Public Affairs Committee

M. Lamontagne
H. I. Macdonald
M. McMurray (*Chairman*)

Management Canadian General Electric Company Limited

Chief Executive Officer
Alton S. Cartwright
Chairman of the Board

Operations

D. Forrest Rankine
VP and Division Executive
Apparatus and Heavy Machinery
Division
John H. Churchman
General Manager
Power Delivery Department
Harold C. Dickout
VP and General Manager
Apparatus and Heavy Machinery
Sales Department
L. Robert Douglas
VP and Manager
Business Development
Max Drouin
VP and General Manager
Dominion Engineering Works
Walter R. Fell
VP and General Manager
Power Generation Department
Merritt E. Gordon
VP and General Manager
Industrial Apparatus Department
Robert T. E. Gillespie
VP and Division Executive
Consumer and Construction Products
Division
Russell M. Baranowski
VP and General Manager
Housewares and Home
Entertainment Department
William D. Rooney
VP and General Manager
GESCAN Department
Richard T. Martin
VP and General Manager
Construction Products Department
Walter E. Noble
VP and General Manager
Materials and Specialty Systems
Department
Robert Story
VP and General Manager
Lamp Department

Corporate

Douglas R. Brown
VP — Human Resources Project
Victor L. Clarke
VP and Corporate Executive
Corporate Strategic Planning and
Development
David F. Abel
VP — Corporate Strategic Planning
and Review
Francis Moskal
VP — Corporate Manufacturing
Planning and Review
Peter E. Pashler
VP — Corporate Technology
Ivan R. Feltham, Q.C.,
VP — External Affairs, General
Counsel and Secretary
Kenneth L. Broe
VP — Western Canada
Robert N. Fournier
VP — Corporate Customer Relations
Archibald F. Johnston
VP — Public Affairs and Government
Relations
Carl B. Haller
VP — Finance
William J. Briggs
VP and Treasurer
V. Gerold Staffl
VP and Comptroller
Harry W. Johnson
VP — Corporate Employee Relations

Corporate Headquarters
Commerce Court North
25 King Street West, Toronto, Ontario
Mailing Address:
P.O. Box 417, Commerce Court North
Toronto, Ontario M5L 1J2

Auditors
Peat, Marwick, Mitchell & Co., Toronto,
Ontario

Transfer Agent and Registrar
National Trust Company, Limited
Toronto, Ontario

Affiliated Company
Canadian Appliance Manufacturing
Company Limited (60% equity interest)

Wholly-owned Subsidiaries
Amalgamated Electric Corporation
Limited
Canadian General Electric
International Limited
Cange Limited
Dominion Engineering Company
Limited
Dominion Engineering Works Limited
Genelcom Limited
N. C. Joseph Limited
Montreal Armature Company Limited
W. L. Stevens Ltd.

**Non-Consolidated Wholly-owned
Subsidiary**
Genelcan Limited

Associated Company
Smith and Stone Limited
(34% equity interest)



PROGRESS FOR PEOPLE